

SB 541, Business, Labor and Economic Affairs Committee Hearing
8:00AM, February 23, 2007, Room 422

**"AN ACT AUTHORIZING THE MONTANA FACILITY FINANCE AUTHORITY
TO FINANCE CERTAIN PROJECTS FOR FOR-PROFIT OR NONPROFIT
CORPORATIONS AND ORGANIZATIONS....."**

Jon Marchi, Polson, MT Testimony
Chairman, Montana Facility Finance Authority (MFFA)
Representing: Montana Ambassadors, Glacier Venture Fund, Big Sky Airlines
Testifying in favor of the bill.

A quasi-judicial seven-member board appointed by Governor Martz and Governor Schweitzer manages MFFA. Over the past 23 years the Authority has issued over \$1.4 billion of tax-exempt bonds with \$721 million currently outstanding. MFFA has never experienced a default. Each bond issue requires reserves to mitigate a possible default. With the exception of about \$29 million in state general obligation bonds, \$49 million of Board of Investments (BOI) guaranteed bonds and \$36 million of bonds with a state "moral obligation" pledge (\$27 million are privately insured) the remaining \$607 million of bonds outstanding are conduit bonds that are neither state debt nor a state obligation. We issue public notices of our meetings and follow the guidelines of the state open meeting and public participation laws. The Legislative Audit Division audits MFFA and our audits have been consistently clean, with "no recommendations needed" reports.

This bill would simply add the ability to issue tax-exempt small issue industrial development bonds (IDB's) to the MFFA statute. The BOI has not issued an IDB bond for several years. This is the only tax-exempt authority the BOI has and because of the complexity, special expertise, experience and track record that MFFA has acquired over the years these bonds should be added to MFFA's list of eligible facilities. The Authority and the BOI have worked well together over the past 23 years and have developed joint programs that have significantly improved financing opportunities for MFFA's eligible projects.

The Federal government has recently made IDB financing much more attractive to both borrowers and issuers. The maximum size has been increased from \$10 to \$20 million and the manufacturing facility requirement has been broadened to include technology type companies as well necessary equipment. Limited or prohibited facilities include retail food, beverage services, residential real property, gambling, alcohol, etc. The typical savings to the borrower is about three percentage points; a \$20 million issue would realize \$600,000 per year in interest savings. This is a powerful economic development tool that other states are using. Statewide authorities are the most efficient method of issuing tax-exempt bonds, including IDB's. For example, both Maine and New Jersey have begun using their Facility Finance Authorities to issue IDB's and both have had significant success.

At our MFFA board meeting on January 30, 2007 we unanimously passed a motion "that the Authority aggressively pursue introduction of legislation designed to authorize the Authority to finance 'projects (IDB's)' as defined in Section 90-5-101 (10)....."

IDB bonds have the potential of providing significant economic and tax benefits to our state. These bonds generally require that the proceeds must be used for new property and equipment. They will help increase our property tax base, create short term and long term employment opportunities for our people and help us build a more modern manufacturing infrastructure.

Thank you, Ms. Chairperson and Members of the committee.



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February 21, 2007

TO: SENATE BUSINESS, LABOR AND ECONOMIC AFFAIRS COMMITTEE
Sen. Vicki Cocchiarella, Chair

RE: SB 541 Allow facility finance authority to finance projects for profit organizations

This letter is written in support of SB 541 by the Montana Economic Developers Association (MEDA). MEDA represents over 200 professionals who work with local economic development organizations across the State of Montana. MEDA's members include leaders within the economic development profession, business specialists, government employees, and staff members of affiliated non-profit organizations who promote and foster economic development activities in Montana.

This legislation would shift the responsibility for issuing tax-exempt, small issue, industrial bonds (IDB's) from the Montana Board of Investments (BOI) to the Montana Facility Finance Authority (MFFA). In the past 23 years the Authority has issued more than 1.4 billion dollars in tax-exempt bonds and has never experienced a default. The Legislative Audit Division audits the MFFA and has consistently issued clean audits with "no recommendations needed" reports for the Authority.

The MFFA possesses the expertise, experience, and track record to effectively oversee the issuance of IDB's improving financing opportunities for Montana's economic development efforts. Other states, Maine and New Jersey among them, have begun to realize that statewide authorities are the most efficient mechanism for issuing tax-exempt bonds including IDB's. Both states have begun using their Facility Finance Authorities to issue IDB's and both have experienced significant success.

Making IDB's a more feasible financing tool for Montana's business community by moving them to the MFFA promises to provide important economic and tax benefits to the State by increasing the property tax base, creating both short and long term employment opportunities for our citizens, and by helping to modernize Montana's manufacturing infrastructure. We believe that moving the issuing authority for IDB's from the BOI to the MFFA makes this financing tool more useable for all of Montana and we thus, encourage your support of this legislation.

Sincerely,

Rick Edwards, President

Cc: MEDA Board of Directors

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